



Government of
Saskatchewan

Annual Report 1984-85

**The Saskatchewan Beef
Stabilization Board**

86-03304/

**Saskatchewan
Beef Stabilization Board
Annual Report
1984-85**

Office
The Imperial Centre
309 Hoffer Drive
Regina, Saskatchewan. S4N 6E2



Minister
of Agriculture

Saskatchewan

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Regina, Canada
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Saskatchewan Beef Stabilization Board

To His Honour,
The Honourable Frederick W. Johnson
Lieutenant Governor
Province of Saskatchewan

Sir:

I have the honour to submit herewith the Annual
Report of the Saskatchewan Beef Stabilization
Board for the twelve months ending March 31,
1985.

I have the honour to be, Sir,
Your obedient servant,

Honourable Grant Devine, Premier
Minister of Agriculture



**Saskatchewan
Beef
Stabilization
Board**

Saskatchewan

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Saskatchewan Beef Stabilization Board

Honourable Grant Devine, Premier
Minister of Agriculture
Province of Saskatchewan

Sir:

I am pleased to present herewith the Annual
Report of the Saskatchewan Beef Stabilization
Board for the twelve months ending March 31,
1985.

Respectfully submitted,
Boyd Anderson, Chairman
Saskatchewan Beef Stabilization Board





Chairman's Comments

This report covers the third full fiscal year of operation of the Saskatchewan Beef Stabilization Board. The general functions of the Board are to:

1. Administer two market insurance programs for cattle, known as the Cow-Calf to Finish Market Insurance Plan and the Feeder to Finish Market Insurance Plan.
2. Provide a central desk marketing option for slaughter animals.

The Market insurance programs are based upon insurance principles. Producer premiums or levies are collected at the time of sale of each animal and the provincial government matches this levy. The Plans collect levies at all times and pays stabilization payments on all participating animals when the market price falls below the support level as determined by a cost-of-production formula.

The central desk marketing service is an innovative approach to market Saskatchewan slaughter animals. This service allows the Saskatchewan producer direct, cost-effective access to competitive bids from many packing plants. The market information generated from this service provides producers with an important input to assist in managing their cattle marketing, and hence, their overall beef operation.

The market insurance programs again provided important assistance to Saskatchewan livestock producers as rising input costs and severe drought in many areas of our province, prevailed during the year.

At the beginning of the 1984-85 fiscal year the Board, after a careful review of the actuarial positions of the funds, made some adjustments to the support levels. While these changes coupled with the severe drought in many areas

of our province caused concern from some of our contract holders, the Board defended the legislation requiring such actions as being necessary for the long — term continuity and respectability of the plans. Following explanations at public meetings and through our newsletters the changes were accepted by most contract holders as being necessary and responsible.

The cost of production formula changes effective April 1, 1984, to control the deficit in the Cow Calf to Finish Plan and to help ensure it would be actuarially sound over time were:

1. Reduced support coverage of non-cash costs from 55% to 50%.
2. Reduced support coverage for the feeding portion of the formula by increasing the weaning weight of a calf from 450 pounds to 500 pounds to better reflect industry standards.

The combined effect of the two measures noted above was to lower the support level by approximately 9.75¢ per carcass pound. The Board also decided to use the same pricing source to cost barley in the Cow-Calf plan as in the Feeder Finish plan. The result of this consistent barley costing was to increase the support level by about 1.45¢ per carcass pound, thus partially offsetting the support level reduction measures.

There was also one adjustment to the Feeder to Finish plan cost of production formula effective in the 1984-85 fiscal year. In keeping with industry standards the gain per day assumption in the formula was increased from 2.5 pounds per day to 2.75 pounds per day.

Despite the changes in support and the drought and financial stress experienced by many Saskatchewan livestock producers the Board

stabilized 175,064 head, a decrease of approximately 5% from the previous fiscal period.

The cow herd in Saskatchewan and Canada continued to decline in 1984-85. However, cattle fed in Saskatchewan continued to increase to a level of approximately 34% of the Saskatchewan cow herd. Slaughter prices were relatively strong through most of the year except March.

The Board also experienced a number of administrative changes during the 1984-85 year. The discontinuance of the Saskatchewan Federation of Agriculture operations resulted in its representative, Mr. Bill Marshall, leaving the Board. The general manager, Mr. Ross Reynolds resigned in October to assume other duties with Saskatchewan Agriculture and was replaced as general manager by Mr. Jim Stalwick.

As Chairman of the Saskatchewan Beef Stabilization Board, I feel quite comfortable in stating that all of our operations are operating quite smoothly. Total revenues from marketing were approximately \$140, million in 1984-85, revenue volumes large enough to rank within the top twenty operations in the province. The producers have various marketing options available to them and they continue to have the final say in how and when they sell. Payments for cattle are now being processed promptly. The computer system works well and provides accurate, comprehensive information to the participants of the plans as well as the industry. Meetings initiated with various livestock organizations such as the Saskatchewan Cattle Feeders Association, Saskatchewan Livestock Markets Association and representatives of the packing house industry were very positive and produced new administrative directions of a co-operative nature.

The dramatically increasing deficits levelled off or declined through the year while Saskatchewan cattle producers were still

afforded the opportunity for market price protection under the principles of the two market insurance plans. Another significant step in 1984-85 was the Provincial government's decision to pay the interest, effective October 1, 1984, on the deficit that has accumulated as a result of the 50 Purchased Feeder option. In removing carrying charges on the \$13,127,303 accumulated deficit attributable to the 50 Purchased Feeder option, it essentially removes the effect of that part of the deficit with respect to future levy or support level coverage adjustments.

From the inception of the plan on January 1, 1982 until March 31, 1985 the Cow-Calf-to-Finish Plan has paid out a total of \$59,707,659. The producer contributions through levies comes to \$16,219,892 and this has been matched by the government for a total of \$32,439,784. This, along with the net interest cost of \$9,035,669, leaves us with a deficit of \$36,303,545. This deficit has developed on a total of 406,911 cattle being stabilized in the Cow-Calf-to-Finish Plan.

To March 31, 1985 the Feeder-to-Finish Plan has stabilized 176,305 cattle for a total payout of \$8,156,066. Producers contribute a 2% levy which is matched by the government for total levies of \$6,152,892. The deficit in this plan is \$2,496,793.

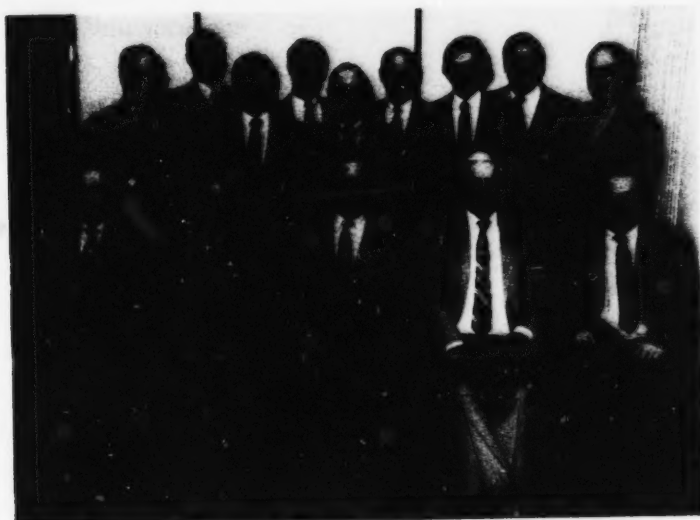
The Board continues to view the effect of its role as a positive influence to develop a viable and healthy beef cattle industry in Saskatchewan. The plans have added stability and growth to the entire industry while providing substantial financial support to individual Saskatchewan producers.



Boyd Anderson
Chairman
Saskatchewan Beef Stabilization Board



Board Personnel



Board of Directors

Mr. Boyd Anderson, Chairman Fir Mountain
Mr. J.W. (Bill) Marshall,
Vice-Chairman Prince Albert
Mr. George Beilhartz (deceased) Prince Albert
Mr. Errol Cochrane Fort Qu'Appelle
Mr. Lorne Cholin Kerrobert

Mr. Rudy Jurke Lloydminster
Mr. Bernard Kirwan Gull Lake
Mr. Frank Lockwood Davidson
Mr. W.G. (Bud) Morken Sturgis
Mr. Orville Thompson Camduff
Mr. Evans Thordarson Mozart

Staff

Ross Reynolds General Manager
Stewart Stone Comptroller
Harry Long Marketing Manager
Jim Stalwick Executive Assistant

The Board also employed a total of 21.5 full-time and temporary staff as of March 31, 1985.





Operations Data

	1984/85	1983/84
Total S.B.S.B. cattle marketings	186,703	196,173
Active Production Units		
Cow Calf to Finish Market Insurance Plan	2,923	3,208
Feeder to Finish Market Insurance Plan	942	945
Animals Stabilized		
Cow Calf to Finish Market Insurance Plan	100,485	104,102
Feeder to Finish Market Insurance Plan	74,677	81,006
Saskatchewan Sales of Steers & Heifers		
Totals Sales	282,740	271,750
S.B.S.B. % of Total Sales	66.0%	72.2%

1984/85 Marketings by Destination

	Total Saskatchewan		S.B.S.B.	
	No. Head	%	No. Head	%
Saskatchewan	170,070	59.6	105,598	56.5
Manitoba	80,600	28.2	58,194	31.2
Alberta	11,880	51.1	11,347	6.1
Ontario	15,470	5.4	8,458	4.5
U.S.A.	4,440	1.6	3,106	1.7
Others	280	0.1	-	-
	282,740	100.0	186,703	100.0

Weekly Volume Highlights (No. Head)

High-week ending Aug. 31, 1984	6,407
Low-week ending April 20, 1984	1,664
Average weekly volume	3,528

Weekly Average Rail Grade Price

High-week ending Dec. 22, 1984	1.46
Low-week ending September 21, 1984	1.26

Operation 101



Operations 1984-85

Industry Review

The cow herd in Saskatchewan continued to decline through 1984-85, a trend experienced by both Saskatchewan and Canada since 1975. Statistics Canada reports the cow herd in Saskatchewan as of January 1, 1985 at 785,000, down approximately 5% from the previous year. Our share of the total Canadian cow herd remained steady at around 26 percent.

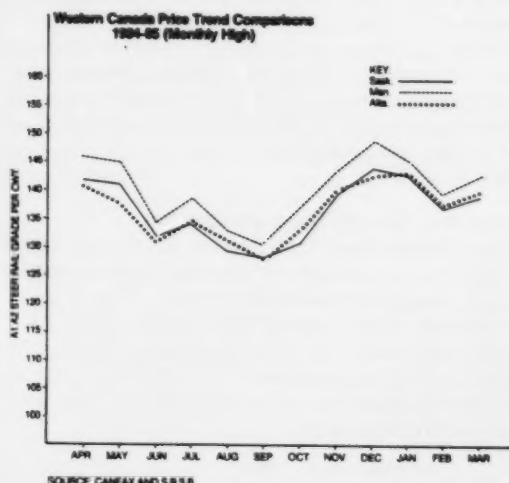
Per capita consumption of beef also continued to decline as it fell from 88.8 pounds in 1983 to 84.5 pounds in 1984. Pork consumption was also down from 63.1 pounds to 61.5 pounds while consumption of poultry products increased over the same period by 1.5 pounds to 51.9 pounds per capita.

The 1984-85 year saw severe drought problems in the bottom half of the province. With the local grazing and feed supplies limited, livestock producers in these areas had to import feed from Northern Saskatchewan and other provinces. Predictably, hay and barley prices continued to rise sharply throughout the year.

Market prices for slaughter animals were strong throughout the year relative to the previous two years. Average weekly prices for A1A2 steer carcasses fluctuated from a high in December of \$1.46 per pound to a low in September of \$1.26 per pound. This compared favourably with the previous year in that weekly prices were consistently higher and the range of the fluctuation throughout the year was smaller.

Saskatchewan livestock producers were also affected by some unrest in the meat packing industry during the summer, normally the heaviest marketing period for slaughter cattle. Labour problems in June led to a strike in August and traditional market options for slaughter animals were severely constrained. The few packing plants in Western Canada which continued operations throughout the strike increased their kill in an effort to

compensate for the striking plants. Greater numbers of cattle also traveled to Eastern Canada and the United States for slaughter. The trend in packing plant closures continued as Canada Packers Inc. closed their Edmonton plant and Burns Meats Ltd., announced and then reversed their decision to close their plant in Brandon.



The 1984-85 year saw a continuation of the trend for increasing numbers of cattle being fed to slaughter weight in Saskatchewan. From a high steer and heifer production of 30% of the cow herd in 1976, the output had declined steadily to approximately 20% of the cow herd in 1979, 1980 and 1981. The trend was dramatically reversed in 1982, back up to 30.7%. Since that time the output of slaughter steers and heifers has been increasing, even in the face of a declining cow herd, to 1984-85 levels of slightly over 34% of the cow herd. The turnaround in Saskatchewan origin slaughter steers and heifers is reflected in the relative healthiness and optimism of our feedlot industry and packing plants. Both are

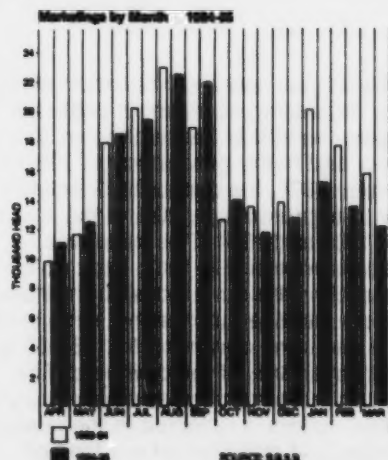
expanding cautiously despite what is happening in the rest of North America.

Participation

Records for the 1984-85 year indicate a net decrease in total contracts registered in both programs over the previous year. Registration in the Cow-Calf to Finish Program decreased by almost 9% to 2923 production units, representing approximately 5,000 producers. By March 31, 1985, 942 production unit contracts were registered in the Feeder-to-Finish Program, a net decrease of only 3 contracts from the end of the prior year. The net decreases are largely attributable to a sell-off of entire cow herds and to termination of inactive contracts. The inactive contracts represented applications made in error or without adequate knowledge of the program's requirements.

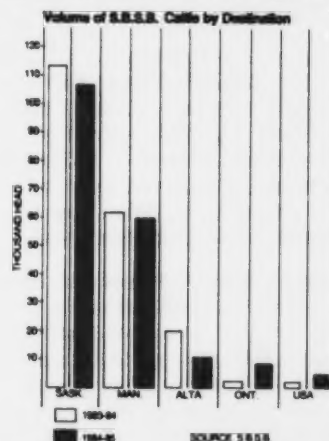
The average herd size in the Cow Calf to Finish Program in 1984-85 was 64 cows, unchanged from the prior year. Enterprises with less than 20 cows represented 16% of the production units and only 4% of the total cows enrolled in the Cow-Calf to Finish Program. Major livestock enterprises (herds exceeding 51 cows) accounted for 43% of the production units and 74% of the cows enrolled in the Cow Calf to Finish Program.

During the 1984-85 fiscal period, the Saskatchewan Beef Stabilization Board marketed 186,703 head, or 66.0% of the total Saskatchewan - origin slaughter steers and heifers. This represented a decrease of 9,470 head and 6.2%, respectively, over the prior fiscal year. Producers selling unfinished animals due to shortage of feed and financial considerations accounted for much of the decrease.

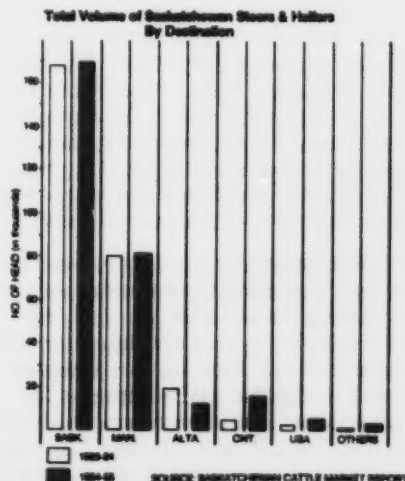


Finished Marketings

Producers have the option of marketing animals eligible for stabilization in full loads through the Central Marketing Desk, in small lots delivered direct to packing plants, on a live weight basis through auction, and by making their own arrangements through abattoirs. The majority of cattle marketed through the Saskatchewan Beef Stabilization Board were on a daily tender requiring bids on a rail grade basis. Approximately 7% were sold through abattoirs while 6.5% were sold on a liveweight basis.



During the 1984-85 year, the Board received bids on cattle from slaughter plants in Saskatchewan, Manitoba, Alberta, Ontario and U.S.A. Saskatchewan meat processors purchased 56.5% of cattle marketed through the Saskatchewan Beef Stabilization Board. Of the balance, 31.2% went to Manitoba, 6.1% to Alberta, 4.5% to Ontario, 1.7% to the United States.



Administration

In 1984-85 the Board continued its efforts to keep producers informed of changes to the programs and to emphasize regulations. Quarterly newsletters were distributed to producers covering such subjects as contract obligations, detailed explanation of support level changes, special contract provisions, locating feed grain supplies, discounts, brands, fraud and others. A series of 12 public meetings held throughout the Province were well attended. Topics discussed included the principles of the market insurance programs, marketing procedures and alternatives, the importance of quality in cattle and a general update on the programs. Emphasis was given to responding to producer questions and concerns on each of the plans. In addition, the Board's part-time Field Staff made 650 on-farm visits to approximately 20% of the contract holders.

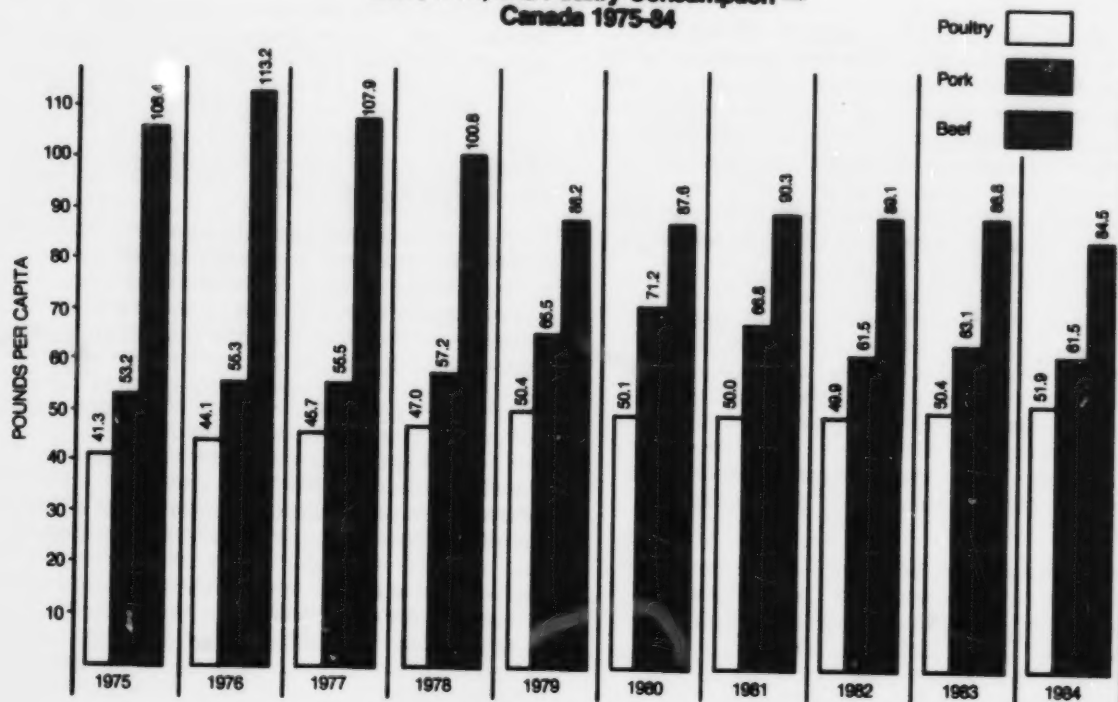
The Saskatchewan Beef Stabilization Board Review Committee convened on six occasions during the 1984-85 year. This Committee is composed of two representatives of Saskatchewan Agriculture staff and the Chairman of the Saskatchewan Beef Stabilization Board. The role of the Committee

is to provide objective interpretation of specific applications of the regulations after receiving presentations from both producers and Board staff on the issues. Review Committee recommendations are then brought before the full Board for discussion and final approval. The Audit Committee and the Marketing Committee, comprised of Board directors only, also met during the year.

An Appeals Committee, composed of individuals appointed by the Minister of Agriculture, is available to those parties who wish to appeal a Board interpretation or decision. The Appeals Committee did not convene during the year.

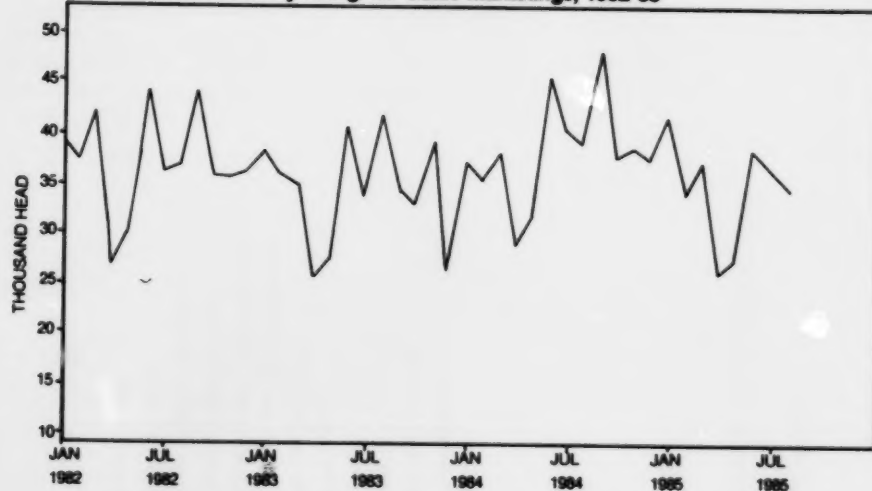
The 1984-85 year saw the Board implement computer programs to automate office procedures and to provide relevant and timely statistical information important in the development of the Saskatchewan cattle industry. These and additional programs to be implemented in the near future will provide a higher level of service to Saskatchewan producers in the plans. Comprehensive and timely feedback will allow the producer to adjust his practices and efficiencies to obtain optimal return.

Beef, Pork, and Poultry Consumption — Canada 1975-84



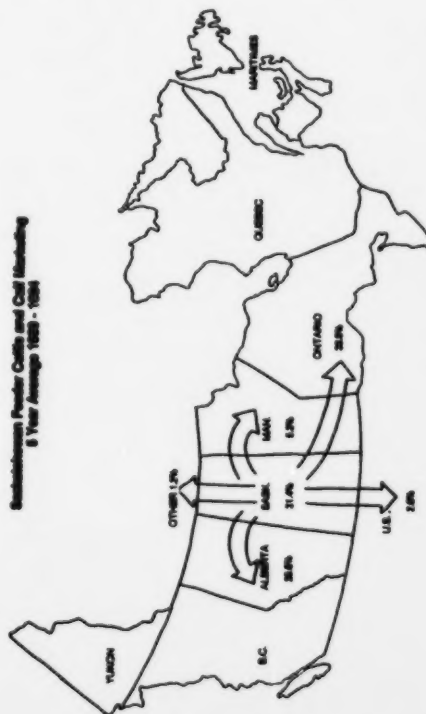
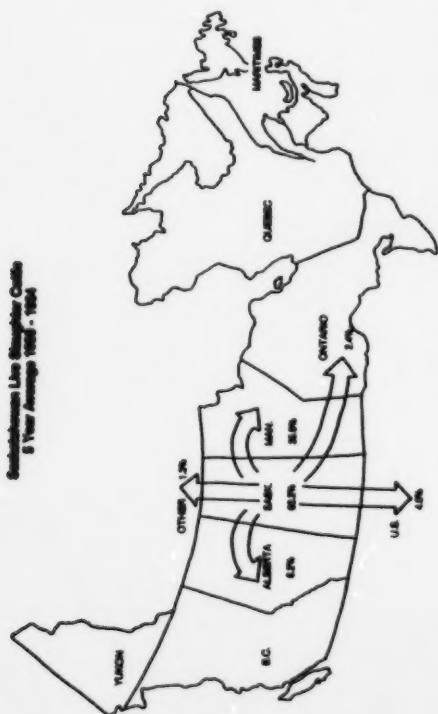
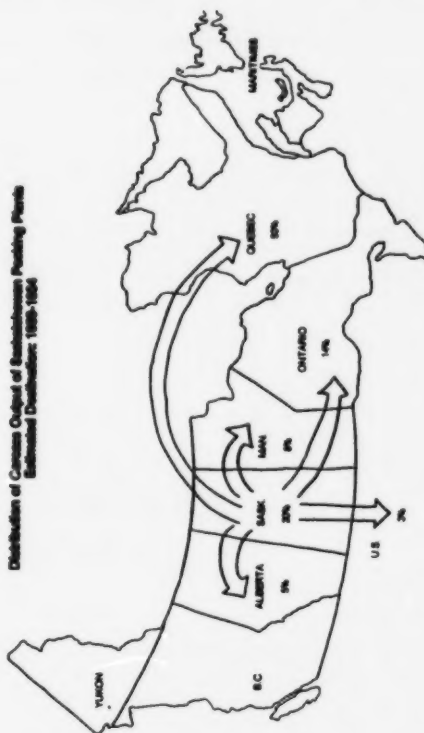
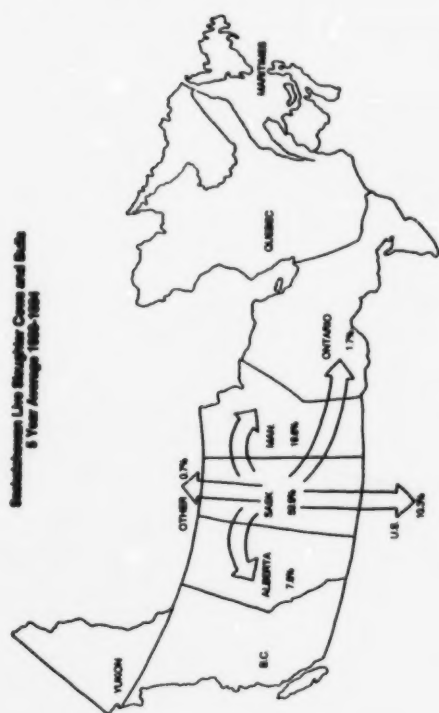
SOURCE: STATISTICS CANADA, Handbook of Food Expenditures

Saskatchewan Monthly Slaughter Cattle Marketings, 1982-85



SOURCE: SASKATCHEWAN CATTLE MARKET REPORT

Percentage Distribution of Saskatchewan Origin Cattle and Carcasses





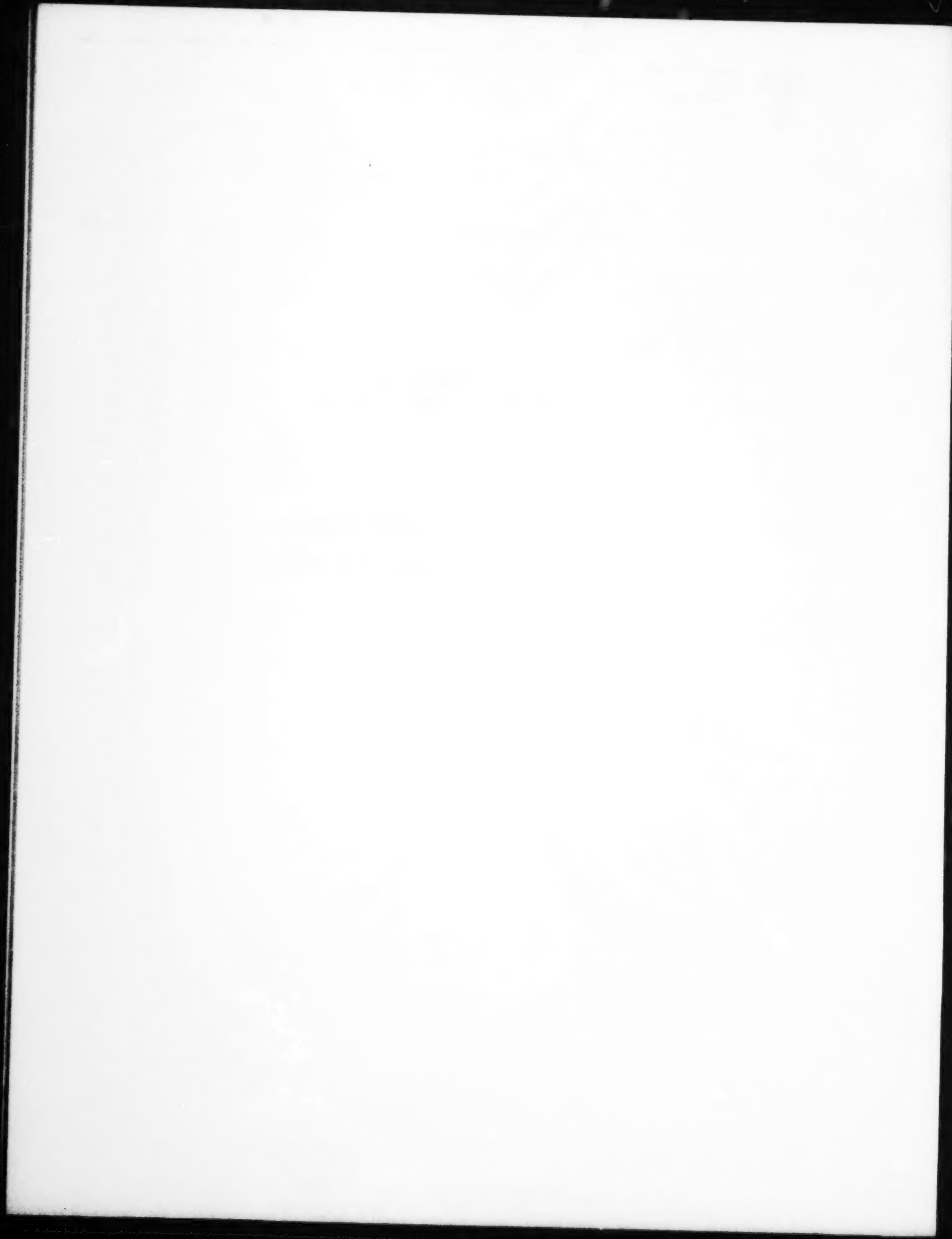


**Saskatchewan
Beef
Stabilization
Board**

**Saskatchewan
Beef Stabilization Board**

**Financial Statements
Year Ended March 31, 1985**

**Office of the Provincial Auditor
Regina, Saskatchewan**





Saskatchewan
Beef
Stabilization
Board

Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the balance sheet of the Saskatchewan Beef Stabilization Board as at March 31, 1985 and the statements of revenue, expenditure and surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Board as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Regina, Saskatchewan
June 20, 1985

W.G. Lutz, F.C.A.,
Provincial Auditor.

Statement 1

Saskatchewan Beef Stabilization Board
Balance Sheet
March 31, 1985

	1985	1984
ASSETS		
Current Assets:		
Cash	\$ 333,728	\$ 161,171
Accounts receivable:		
- Department of Agriculture	109,553	77,396
- Accrued interest	30,998	36,657
- Miscellaneous	43,553	38,551
	<u>517,832</u>	<u>313,775</u>
Fixed assets		
(Notes 1(b) and 5)	407,715	427,327
Producers' trust fund assets:		
Cash	\$1,444,859	\$2,262,560
Accounts receivable	<u>711,626</u>	<u>1,341,731</u>
	<u>2,156,485</u>	<u>3,604,291</u>
	<u>\$3,082,032</u>	<u>\$4,345,393</u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 38,413	\$ 18,644
Producers' trust fund liabilities:		
Due to producers	\$1,693,414	\$3,064,214
Due to Cow Calf to Finish		
Market Insurance Plan	247,138	350,703
Due to Feeder Finish		
Market Insurance Plan	153,349	121,737
Other	<u>62,584</u>	<u>67,637</u>
	2,156,485	3,604,291
Deferred revenue — government assistance (Note 1(d))	56,000	70,000
Equity:		
Surplus (Statement 2)	<u>831,134</u>	<u>652,458</u>
	<u>\$3,082,032</u>	<u>\$4,345,393</u>

(See accompanying notes to the financial statements)

Saskatchewan Beef Stabilization Board
Statement of Revenue, Expenditure and Surplus
For the Year Ended March 31, 1985

	1985	1984
Revenue:		
Interest	\$ 491,946	\$ 436,163
Marketing fees	463,322	392,346
Department of Agriculture		
- administration grant	311,874	266,119
- feeder finish program		
development grant (note 1(d))	14,000	30,000
Insurance commissions	36,884	22,934
Miscellaneous	5,895	—
	<u>\$1,323,921</u>	<u>\$1,147,562</u>
Expenditure:		
Salaries and employee benefits	643,757	571,249
Communications	123,302	126,650
Amortization	93,600	—
Directors' honoraria and travel	75,646	72,041
Fieldman per diem and travel	39,808	51,571
Computer maintenance	33,707	28,558
Computer services	29,914	27,907
Office supplies	32,291	25,807
Dues and subscriptions	18,540	18,139
Travel and sustenance	10,800	17,967
Bank charges	16,687	17,703
Miscellaneous	16,536	8,968
Producer information	6,786	8,719
Accounting and legal	3,154	7,232
Depreciation	717	684
	<u>1,145,245</u>	<u>983,195</u>
Excess of revenue over expenditure	178,676	164,367
Surplus, beginning of year	652,458	488,091
Surplus, end of year	<u>\$ 831,134</u>	<u>\$ 652,458</u>

(See accompanying notes to the financial statements)

Statement 3

Saskatchewan Beef Stabilization Board
Statement of Changes in Financial Position
For the Year Ended March 31, 1985

	1985	1984
Sources of working capital:		
Excess of revenue over expenditure	\$178,676	\$164,367
Add items not requiring an expenditure of funds	<u>80,176</u>	<u>684</u>
Funds from operations	258,852	165,051
Department of Agriculture, feeder finish program development grant - note 1(d)	<u>—</u>	<u>70,000</u>
	258,852	235,051
Uses of working capital:		
Purchase of fixed assets	<u>74,564</u>	<u>172,345</u>
Increase in working capital	184,288	62,706
Working capital, beginning of year	<u>295,131</u>	<u>232,425</u>
Working capital, end of year	<u><u>\$479,419</u></u>	<u><u>\$295,131</u></u>
Represented by:		
Current assets	\$517,832	\$313,775
Current liabilities	<u>38,413</u>	<u>18,644</u>
Working capital	<u><u>\$479,419</u></u>	<u><u>\$295,131</u></u>

(See accompanying notes to the financial statements)

Saskatchewan Beef Stabilization Board Notes to Financial Statements

March 31, 1985

1. Significant Accounting Policies

(a) Revenue Recognition

Marketing fee revenue is recognized on the basis of slaughter date.

(b) Fixed Assets

Equipment is recorded at cost less accumulated depreciation; maintenance and repairs are charged against operations as incurred.

Depreciation is provided on equipment over the estimated useful life on the diminishing balance method. The rate for furniture and equipment is 20%.

Amortization is provided on capitalized computer hardware and software development costs over the estimated useful life (beginning April 1, 1984) on the straight-line method. The rate for computer hardware and software development is 20% per annum.

(c) Producers Trust Fund

The producers' trust fund has been established to account for receipts from packers on account of beef purchases by the packers from the producers and to make payments to producers, truckers, and assemblers.

(d) Deferred Revenue - Government Assistance

During 1984 the Board received \$100,000 from the Department of Agriculture to partially finance the development expenses of the Feeder Finish Market Insurance Plan. \$30,000 was taken into income in 1983/84, while \$70,000 was recorded as deferred revenue to be amortized to income as the corresponding costs of computer hardware and software costs are amortized. Beginning April 1, 1984 the deferred revenue is amortized on a straight-line basis at a rate of 20% per annum.

2. Incorporation

The Board was established under The Beef Stabilization Act 1980-81, C. B-0.1 and commenced operations on January 1, 1982. The Board's main function is to market beef on behalf of producers and to administer the Cow Calf to Finish Market Insurance Plan and the Feeder Finish Market Insurance Plan.

3. Cow Calf to Finish Market Insurance Plan and Feeder Finish Market Insurance Plan

The Board administers the above plans which form part of The Saskatchewan Agricultural Returns Stabilization Fund established under Section 5 of The Saskatchewan Agricultural Returns Stabilization Act. Stabilization transactions are therefore included in the financial statements of The Saskatchewan Agricultural Returns Stabilization Fund.

4. Related Party Transactions

Related parties to the Board are Saskatchewan's Crown controlled departments, agencies and corporations.

(a) Transactions at market value.

Transactions entered into with related parties for purchase of supplies and services such as telephone and computer services are recorded at normal market prices.

(b) Costs borne by other agencies.

The Board has not been charged with any occupancy costs nor has any provision for such costs been reflected in these financial statements.

5. Fixed Assets

The costs and related accumulated depreciation and amortization are:

	Cost	Accumulated Depreciation and Amortization	1985 Net Book Value	1984 Net Book Value
Office equipment	\$ 5,298	\$2,290	\$ 3,008	\$ 2,734
Computer hardware	245,918	49,200	196,718	245,876
Computer software	252,389	44,400	207,989	178,717
	<u>\$503,605</u>	<u>\$95,890</u>	<u>\$407,715</u>	<u>\$427,327</u>

Four Year Summary — unaudited

	1984-85	1983-84	1982-83	1982*
Number of Head	186,703	196,173	187,826	45,307
Revenues	1,323,921	1,147,562	1,367,553	292,649
Expenses	1,145,245	983,195	958,043	214,068
Excess of Revenue over Expenses	178,676	164,367	409,510	78,581
Current Assets	2,674,317	3,918,066	4,666,599	6,037,610
Current Liabilities	2,194,898	3,622,935	4,434,174	5,962,352
Plant and Equipment Additions	71,067	175,843	253,197	3,498
Depreciation and Amortization	94,177	684	854	175
Average Number of Employees	21.5	18	18	13

* Jan. 1, 1982 to Mar. 31, 1982